



National Refinery Limited

**Condensed Interim
Financial Statements
for the Nine Months
Ended March 31, 2022**

Refining with Vision



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Corporate Information

Board of Directors

Laith G. Pharaon

Alternate Director: Shuaib A. Malik

Wael G. Pharaon

Alternate Director: Babar Bashir Nawaz

Shuaib A. Malik - Chairman

Shamim Ahmad Khan

Abdus Sattar

Sajid Nawaz

Khondamir Nusratkhujaev

Chief Executive Officer

Jamil A. Khan

Chief Financial Officer

Nouman Ahmed Usmani

Company Secretary

Muhammad Atta ur Rehman Malik

Audit Committee

Shamim Ahmad Khan

Chairman

Abdus Sattar

Member

Babar Bashir Nawaz

Member

Alternate Director for Mr. Wael G. Pharaon

Shaikh Ather Ahmed

Secretary

Human Resource and Remuneration (HR&R) Committee

Shamim Ahmad Khan

Chairman

Shuaib A. Malik

Member

Babar Bashir Nawaz

Member

Alternate Director for Mr. Wael G. Pharaon

Jamil A. Khan

Member

Nouman Ahmed Usmani

Secretary

Auditors

A. F. Ferguson & Co.

Chartered Accountants

Legal Advisor

Ali Sibtain Fazli & Associates

Legal Advisors, Advocates & Solicitors

Bankers

Habib Bank Limited

Meezan Bank Limited

National Bank of Pakistan

Allied Bank Limited

Bank Alfalah Limited

Faysal Bank Limited

Habib Metropolitan Bank Limited

Askari Bank Limited

BankIslami Pakistan

Industrial & Commercial Bank of China Limited

Dubai Islamic Bank

United Bank Limited

MCB Bank Limited

Samba Bank Limited

Bank AL-Habib Limited

Registered Office

7-B, Korangi Industrial Area, Karachi-74900

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PABX: +92-21-35064981-86

+92-21-35064977-79

Website: www.nrlpak.com

E-mail: info@nrlpak.com

Share Registrar

CDC Share Registrar Services Limited

CDC House, 99-B, Block 'B', S.M.C.H.S.,

Main Shakra-e-Faisal, Karachi – 74400.

Tel: (Toll Free) 0800-23275

Fax: +92-21-34326053

Email: info@cdcsrsl.com

Website: www.cdcsrsl.com

Directors' Review

The Board of Directors of your Company is pleased to present a brief review of the financial results and operations of the Company for the nine months ended March 31, 2022.

During the period, your company earned profit after tax of Rs. 3,673 million resulting in earning per share of Rs. 45.93 as compared to profit after tax of Rs. 892 million that had resulted in earning per share of Rs. 11.15 in the corresponding period.

Gradual recovery has been witnessed in oil demand due to easing of coronavirus related curbs and slower than expected increase in OPEC + output. International oil prices saw a sharp rise amid ongoing war between Russia and Ukraine, fueling fear of disruption to energy supplies. Higher prices due to supply constraints resulted in better product margins, because of which gross refining margins of fuel segment improved and the Company managed to curtail fuel segment's loss after tax to Rs. 217 million as compared to Rs. 1,774 million in the same period last year.

Sharp decline in Pak Rupee against US Dollar during the period translated into significant exchange loss of Rs. 2,604 million as compared to exchange gain of Rs. 1,044 million in the corresponding period. Throughput of fuel refinery operations declined to 61% as compared to 67% in the corresponding period mainly due to planned turnaround of fuel refinery which was commenced towards the end of December 2021 and completed in January 2022.

Lube Segment of the Company earned profit after tax of Rs. 3,890 million as compared to profit after tax of Rs. 2,666 million during the corresponding period. Improvement in sales volume and prices have been witnessed due to restoration of economic activities and increase in global oil prices that resulted in better financial results of lube segment. Due to lower demand of Bitumen in local market, the Company exported 43,602 M.Tons of Bitumen during the period as compared to 22,175 M.Tons in the corresponding period. Lube segment throughput improved to 86% as compared to 79% during same period last year.

Company's working capital financing requirement has increased considerably due to sharp increase in crude oil prices. Upward revision in policy rate during the period also added in increased mark-up expense. Resultantly, Company's total mark-up expense during the nine months' period is Rs. 2,049 million as compared to Rs. 1,172 million in the corresponding period.

Company's overall profitability also includes impact of appeal effects issued by Federal Board of Revenue in relation to prior tax years amounting to Rs. 2,089 million.

Your Company together with other refineries has been in constant discussion with the Government for last two years seeking some relief for sustainable refinery operations and future upgradation. However, amid current political uncertainties, no clear direction can be assessed with respect to approval of the refineries policy in a shorter term.

We thank our shareholders, customers and staff for their continued support and trust in the Company.

On behalf of the Board



Shuaib A. Malik
Chairman

Islamabad
April 21, 2022

ڈائریکٹرز کا جائزہ

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز مسرت کے ساتھ 31 مارچ 2022 کو مکمل ہونے والے نو ماہ کے مالیاتی نتائج اور آپریشنز کا ایک مختصر جائزہ پیش کرتے ہیں۔

موجودہ عرصے میں، آپ کی کمپنی کو 3,673 ملین روپے کا ٹیکس کے بعد منافع ہوا جو کہ 45.93 روپے فی حصص منافع کے مساوی ہے جبکہ گزشتہ مالی سال اسی مدت میں 892 ملین روپے کا ٹیکس کے بعد منافع ہوا تھا جو کہ 11.15 روپے فی حصص منافع کے مساوی تھا۔

کورونہ وائرس سے متعلق پابندیوں میں نرمی اور اوپیک + کی پیداوار میں متوقع اضافے میں سست روی کی وجہ سے تیل کی طلب میں بتدریج بحالی دیکھی گئی ہے۔ روس اور یوکرین کے درمیان جاری جنگ کے دوران تیل کی بین الاقوامی قیمتوں میں تیزی سے اضافہ دیکھا گیا، جس سے توانائی کی سپلائی میں خلل پڑنے کا خدشہ پیدا ہو گیا ہے۔ سپلائی میں خلل کی وجہ سے قیمتوں میں اضافے کے نتیجے میں پروڈکٹ کے بہتر مارجنز ملے، جس کی وجہ سے فیول سیگمنٹ کے مجموعی ریفاٹمنگ مارجنز میں بہتری آئی اور کمپنی نے ٹیکس کے بعد فیول سیگمنٹ کے نقصان کو 217 ملین روپے تک کم کرنے میں کامیابی حاصل کی جو کہ گزشتہ مالی سال اسی مدت میں 1,774 ملین روپے تھا۔

اس عرصے کے دوران، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں تیزی سے کمی کی وجہ سے زرمبادلہ کی مد میں 2,604 ملین روپے کا نمایاں نقصان ہوا جبکہ گزشتہ سال اسی عرصے میں زرمبادلہ کی مد میں 1,044 ملین روپے کا فائدہ ہوا تھا۔ فیول ریفاٹمنز کی پیداوار کی وجہ سے 61% فیصد رہی جو کہ گزشتہ مالی سال اسی مدت میں 67% فیصد تھی جس کی بنیاد پر فیول ریفاٹمنز کا شدہ جرن اراؤنڈ تھا جو کہ دسمبر 2021 کے اختتام پر شروع ہوا اور جنوری 2022 میں مکمل ہوا۔

لیوب سیگمنٹ کو 3,890 ملین روپے کا ٹیکس کے بعد منافع ہوا جبکہ گزشتہ سال اسی مدت میں ٹیکس کے بعد منافع 2,666 ملین روپے تھا۔ عالمی سطح پر معاشی سرگرمیوں کی بحالی کی وجہ سے فروخت کے حجم اور قیمتوں میں بہتری دیکھی گئی جس کے نتیجے میں لیوب سیگمنٹ کے بہتر مالیاتی نتائج حاصل ہوئے۔ مقامی مارکیٹ میں تارکول کی کم مانگ کی وجہ سے کمپنی نے اس عرصے کے دوران 43,602 میٹرک ٹن تارکول برآمد کیا جو کہ گزشتہ سال اسی مدت میں 22,175 میٹرک ٹن تھا۔ لیوب سیگمنٹ کی پیداوار بہتری کے بعد 86% فیصد رہی جو کہ گزشتہ مالی سال کی اسی مدت میں 79% فیصد تھی۔

خام تیل کی قیمتوں میں تیزی سے اضافے کی وجہ سے کمپنی کی ورکنگ کپینٹل فنانسنگ کی ضرورت کافی بڑھ گئی ہے۔ اسی مدت کے دوران پالیسی ریٹ کے بڑھنے کی وجہ سے بھی مارک اپ کے اخراجات میں اضافہ ہوا ہے۔ نتیجتاً، نو ماہ کی مدت کے دوران کمپنی کے مارک اپ اخراجات کی مد میں 2,049 ملین روپے خرچ ہوئے جو کہ گزشتہ سال اسی مدت میں 1,172 ملین روپے تھے۔

کمپنی کے منافع میں فیڈرل بورڈ آف ریونیو کی طرف سے دیے گئے گزشتہ ٹیکس سالوں کے ایپیل فیکیٹس کی مد میں 2,089 ملین روپے بھی شامل ہیں۔

آپ کی کمپنی دیگر ریفاٹمنز کے ساتھ مل کر حکومت کے ساتھ پچھلے دو سالوں سے مسلسل بات چیت کر رہی ہے تاکہ ریفاٹمنز کے آپریشنز میں تسلسل اور مستقبل میں اپ گریڈیشن کے لیے کچھ ریلیف حاصل کیا جاسکے۔ تاہم، موجودہ غیر یقینی صورتحال کے دوران، قلیل مدت میں ریفاٹمنز پالیسی کی منظوری کے حوالے سے کوئی واضح سمت کا اندازہ نہیں لگایا جاسکتا۔

ہم اپنے حصص یافتگان، صارفین اور عملے کا اکی مسلسل حمایت اور اعتماد کیلئے شکریہ ادا کرتے ہیں۔

بورڈ کی جانب سے



شعبہ اے ملک

چیئر مین

اسلام آباد

21 اپریل، 2022

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2022

	Note	Unaudited March 31, 2022	Audited June 30, 2021
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	29,099,883	31,228,089
Long-term investment		9,787	9,787
Long-term loans	6	37,435	36,983
Long-term deposits	7	30,265	30,265
Deferred taxation	8	8,425,098	8,161,767
Retirement benefit prepayments		11,163	22,409
		<u>37,613,631</u>	<u>39,489,300</u>
CURRENT ASSETS			
Stores, spares and chemicals		2,013,886	1,705,847
Stock-in-trade	9	33,456,408	21,403,625
Trade receivables		12,582,422	9,031,922
Loans and advances	10	20,754	36,667
Trade deposits and short-term prepayments	11	180,561	31,140
Interest accrued		29,688	7,195
Other receivables	12	3,619,254	1,199,914
Taxation - payments less provision		3,502,257	2,168,579
Cash and bank balances	13	1,193,240	607,327
		<u>56,598,470</u>	<u>36,192,216</u>
		<u>94,212,101</u>	<u>75,681,516</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		799,666	799,666
Reserves		33,660,798	30,787,721
		<u>34,460,464</u>	<u>31,587,387</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term lease liability		171,333	177,761
Provision for Gas Infrastructure Development Cess	14.1	440,978	626,516
Retirement benefit obligations		449,057	370,048
		<u>1,061,368</u>	<u>1,174,325</u>
CURRENT LIABILITIES			
Trade and other payables	14	20,942,542	22,616,437
Unclaimed dividend		60,537	61,398
Unpaid dividend		37,205	31,330
Accrued mark-up		544,491	94,868
Provisions		112,361	112,361
Borrowings	15	36,993,133	19,997,515
Current portion of long-term lease liability		-	5,895
		<u>58,690,269</u>	<u>42,919,804</u>
		<u>59,751,637</u>	<u>44,094,129</u>
TOTAL LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	16		
TOTAL EQUITY AND LIABILITIES		<u>94,212,101</u>	<u>75,681,516</u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE NINE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

	Note	Quarter ended		Nine months ended	
		March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
← (Rupees in thousand) →					
Revenue from contracts with customers	17	57,219,739	52,232,105	178,001,765	145,283,529
Trade discounts, taxes, duties, levies and price differentials	18	(5,763,086)	(13,734,282)	(23,747,293)	(47,178,076)
Net revenue from contracts with customers		<u>51,456,653</u>	<u>38,497,823</u>	<u>154,254,472</u>	<u>98,105,453</u>
Cost of sales		<u>(47,652,408)</u>	<u>(35,626,656)</u>	<u>(145,404,512)</u>	<u>(95,445,576)</u>
Gross profit		<u>3,804,245</u>	<u>2,871,167</u>	<u>8,849,960</u>	<u>2,659,877</u>
Distribution cost		<u>(378,003)</u>	<u>(270,572)</u>	<u>(1,065,429)</u>	<u>(591,051)</u>
Administrative expenses		<u>(257,969)</u>	<u>(239,131)</u>	<u>(691,803)</u>	<u>(658,861)</u>
Other income	19	65,038	87,543	193,583	279,263
Other operating expenses		<u>(129,240)</u>	<u>(114,075)</u>	<u>(215,452)</u>	<u>(123,807)</u>
Operating profit		<u>3,104,071</u>	<u>2,334,932</u>	<u>7,070,859</u>	<u>1,565,421</u>
Finance cost - net	20	<u>(1,505,741)</u>	<u>89,973</u>	<u>(4,680,514)</u>	<u>(155,467)</u>
Profit before taxation		<u>1,598,330</u>	<u>2,424,905</u>	<u>2,390,345</u>	<u>1,409,954</u>
Taxation	21	<u>(476,064)</u>	<u>(710,722)</u>	<u>1,282,398</u>	<u>(518,338)</u>
Profit after taxation		<u>1,122,266</u>	<u>1,714,183</u>	<u>3,672,743</u>	<u>891,616</u>
Earnings per share - basic and diluted		<u>Rs. 14.04</u>	<u>Rs. 21.44</u>	<u>Rs. 45.93</u>	<u>Rs. 11.15</u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

	Quarter ended		Nine months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	← (Rupees in thousand) →			
Profit after taxation	1,122,266	1,714,183	3,672,743	891,616
Other comprehensive income / (loss)				
Items that will not be reclassified to statement of profit or loss				
Change in fair value of long term investment	-	-	-	-
Remeasurement of post employment benefit obligations	-	-	-	-
	-	-	-	-
Deferred tax thereon	-	-	-	-
Total comprehensive income	1,122,266	1,714,183	3,672,743	891,616

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Chief Executive


Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

	SHARE CAPITAL	CAPITAL RESERVES				REVENUE RESERVES		Accumulated loss	Total
	Issued, subscribed and paid-up	Capital compensation reserve	Exchange equalisation reserve	Special reserve	Utilised special reserve	General reserve	Gain / (loss) on revaluation of investment at fair value through OCI		
	← (Rupees in thousand) →								
Balance as at July 1, 2020	799,666	10,142	4,117	-	9,631,914	31,961,000	12,942	(12,582,495)	29,837,286
Profit for the nine months ended March 31, 2021	-	-	-	-	-	-	-	891,616	891,616
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total Comprehensive income for the nine months ended March 31, 2021	-	-	-	-	-	-	-	891,616	891,616
Balance as at March 31, 2021	799,666	10,142	4,117	-	9,631,914	31,961,000	12,942	(11,690,879)	30,728,902
Balance as at July 1, 2021	799,666	10,142	4,117	-	9,631,914	31,961,000	9,787	(10,829,239)	31,587,387
Final dividend for the year ended June 30, 2021 - Rs. 10.00 per share	-	-	-	-	-	-	-	(799,666)	(799,666)
Profit for the nine months ended March 31, 2022	-	-	-	-	-	-	-	3,672,743	3,672,743
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total Comprehensive income for the nine months ended March 31, 2022	-	-	-	-	-	-	-	3,672,743	3,672,743
Balance as at March 31, 2022	799,666	10,142	4,117	-	9,631,914	31,961,000	9,787	(7,956,162)	34,460,464

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

	Note	March 31, 2022	March 31, 2021
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	22	(13,242,766)	120,352
Income tax paid		(314,611)	(59,106)
Finance cost paid		(1,599,606)	(1,226,210)
(Increase) / decrease in long-term loans		(452)	6,913
Payments made to staff retirement benefit funds		-	(7,157)
Net cash used in operating activities		<u>(15,157,435)</u>	<u>(1,165,208)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(434,266)	(414,124)
Purchase of intangible assets		-	(1,281)
Proceeds from disposal of property, plant and equipment		42	637
Return on investments and bank accounts		8,213	16,720
Net cash used in investing activities		<u>(426,011)</u>	<u>(398,048)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(794,652)	(1,006)
Lease rentals paid		(31,607)	(30,101)
Net cash used in financing activities		<u>(826,259)</u>	<u>(31,107)</u>
Net decrease in cash and cash equivalents		<u>(16,409,705)</u>	<u>(1,594,363)</u>
Cash and cash equivalents at beginning of the period		<u>(19,390,188)</u>	<u>(16,224,916)</u>
Cash and cash equivalents at end of the period		<u><u>(35,799,893)</u></u>	<u><u>(17,819,279)</u></u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

1. LEGAL STATUS AND OPERATIONS

National Refinery Limited was incorporated in Pakistan on August 19, 1963 as a public limited company and its shares are listed on the Pakistan Stock Exchange. The registered office of the Company is situated at 7-B, Korangi Industrial Area, Karachi, Pakistan.

The Company is engaged in the manufacturing, production and sale of a large range of petroleum products. The refinery complex of the Company comprises of three refineries, consisting of two lube refineries, commissioned in 1966 and 1985, and a fuel refinery added to the complex in 1977. The company has also commissioned Diesel Hydro De-sulphurisation (DHDS) and Isomerisation (ISOM) units during the financial years 2017 and 2018 respectively.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, Issued by the international Accounting Standard Board (IASB) as notified under the Companies Act 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2021.

2.1 Changes in accounting standards, interpretations and pronouncements

(a) Standards and amendments to approved accounting and reporting standards that are effective

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2021. However, these do not have any significant impact on the Company's financial reporting.

(b) Standards and amendments to approved accounting and reporting standards that are not yet effective

There are certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2022. However, these will not have any impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2021.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1 The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts. Actual results may differ from these judgments, estimates and assumptions.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

However, management believes that the change in outcome of judgments, estimates and assumptions would not have a material impact on the amounts disclosed in these condensed interim financial statements.

- 4.2 Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the financial statements as at and for the year ended June 30, 2021.
- 4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2021.

March 31,
2022

June 30,
2021

(Rupees in thousand)

5. FIXED ASSETS

Property, plant and equipment

- Operating assets - note 5.1 & 5.2	27,103,954	29,381,667
- Major spare parts and stand-by equipments	424,260	487,340
- Capital work-in-progress - note 5.3	1,565,851	1,350,892
	<u>29,094,065</u>	<u>31,219,899</u>
Intangible assets	5,818	8,190
	<u>29,099,883</u>	<u>31,228,089</u>

- 5.1 In the current period variable lease for right-of-use of assets amounts to Rs. 5.95 million.
- 5.2 These include the right-of-use asset comprising a lease hold land at oil installation area, Keamari of Karachi Port Trust (KPT), used by the Company for its operations.
- 5.3 Capital work-in-progress

	Balance as at July 1, 2021	Additions during the period	Transfers	Balance as at March 31, 2022	Balance as at July 1, 2020	Additions during the year	Transfers	Balance as at June 30, 2021
	(Rupees in thousand)							
Building on leasehold land	12,168	5,749	(1,642)	16,275	22,810	15,952	(26,594)	12,168
Refineries upgradation projects	973,706	20,526	(968)	993,264	2,804,584	4,283	(1,835,161)	973,706
Plant and machinery	273,063	454,730	(234,044)	493,749	510,885	225,301	(463,123)	273,063
Office and other equipments	39,513	21,783	(12,569)	48,727	53,860	43,500	(57,847)	39,513
	<u>1,298,450</u>	<u>502,788</u>	<u>(249,223)</u>	<u>1,552,015</u>	<u>3,392,139</u>	<u>289,036</u>	<u>(2,382,725)</u>	<u>1,298,450</u>
Advances to contractors / suppliers - note 5.5	52,442	13,157	(51,763)	13,836	76,599	40,164	(64,321)	52,442
	<u>1,350,892</u>	<u>515,945</u>	<u>(300,986)</u>	<u>1,565,851</u>	<u>3,468,738</u>	<u>329,200</u>	<u>(2,447,046)</u>	<u>1,350,892</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

5.4 Additions to operating assets during the nine months ended March 31, 2022 are as follows:

	Additions (at cost)		Disposals / write-offs (at net book value)	
	March 2022	March 2021	March 2022	March 2021
	← (Rupees in thousand) →			
Plant and machinery	197,067	1,791,208	-	-
Buildings	1,731	15,063	-	-
Utilities	32,287	14,775	-	-
Vehicles	1,155	8,613	-	736
Office and other equipments	45,290	68,501	-*	-
Furniture and fixtures	650	856	-	-
Power Plant	-	133,279	-	-
Computer equipments	1,298	7,299	-	-
Storage tanks	2,907	-	-	-
	<u>282,385</u>	<u>2,039,594</u>	<u>-</u>	<u>736</u>

* Assets disposed off and written-off during the period having zero net book value.

5.5 These do not carry any interest or mark-up.

6. LONG TERM LOANS

These include secured loans to executives and employees for the purchase of motor cars and house building. Out of these, car loans amounting to Rs. 7.42 million (June 30, 2021: Rs. 8.50 million) carry interest ranging from 3% to 7% (June 30, 2021: 3% to 7%). These also include unsecured loans to executive and employees which are interest free.

7. LONG TERM DEPOSITS

These deposits do not carry any mark-up.

8. DEFERRED TAXATION

The deferred tax asset on minimum tax, alternative corporate tax and tax losses is expected to be recovered based on the estimated future taxable income.

9. STOCK-IN-TRADE

As at March 31, 2022 stock of finished products have been written down by Rs. Nil (June 30, 2021: Rs. 34 million) to arrive at their net realisable value.

10. LOANS AND ADVANCES

Out of these, car loans amounting to Rs. 1.56 million (June 30, 2021: Rs. 1.78 million) carrying interest as disclosed in note 6. Advances do not carry any mark-up arrangement.

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

These deposits do not carry any mark-up.

12. OTHER RECEIVABLES

This includes unadjusted input sales tax amounting to Rs. 2.5 billion (June 30, 2021: Rs. Nil).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

	March 31, 2022	June 30, 2021
	(Rupees in thousand)	
13. CASH AND BANK BALANCES		
Cash in hand	500	500
With banks on:		
- Current accounts	689,219	91,300
- Savings accounts	13,458	25,464
- Deposit accounts	490,063	490,063
	<u>1,192,740</u>	<u>606,827</u>
	<u>1,193,240</u>	<u>607,327</u>
14. TRADE AND OTHER PAYABLES		
Trade creditors	15,575,958	16,098,850
Due to Government of Pakistan	1,834,897	928,684
Due to related parties:		
- Attock Petroleum Limited	84,422	57,094
- Pakistan Oilfields Limited	-	49,224
- Attock Cement Pakistan Limited	-	141
Accrued liabilities	942,598	1,035,607
Current portion of provision for Gas		
Infrastructure Development Cess - note 14.1	456,881	307,457
PMG - RON differential payable	102,217	84,457
EURO-V specification differentials	4,237	-
Custom duty payable - note 14.2	830,498	617,090
Sales tax payable	-	2,717,164
Retention money	71,162	58,403
Deposits from contractors	60,991	57,579
Advances from customers - note 14.3	640,454	-
Workers' profits participation fund	129,885	-
Workers' Welfare Fund	161,806	94,714
Income tax deducted at source	24,563	29,189
Excise duty and petroleum levy	13,479	478,727
Others	8,494	2,057
	<u>20,942,542</u>	<u>22,616,437</u>

- 14.1 The Supreme Court of Pakistan through its judgement dated August 13, 2020 had decided the Appeal against consumers upholding the vires of GIDC Act, 2015. The Review Petition was also dismissed on merits. However, the Honorable Court had provided some relief by increasing the time period for recovery of GIDC from 24 to 48 installments.

The Company also filed a civil suit before the Honourable High Court of Sindh (SHC) on the ground that the Company falls under the category of consumers and it has not passed on the burden of Cess. Accordingly, stay order was granted. However, while pendency of aforesaid suit, the Company kept on paying GIDC installments under protest and without prejudice to the Company's legal rights till August 2021 (upto 13th installment). In September 2021, Sui Southern Gas Company Limited (SSGC) revised the payment terms from 48 to 24 months. The Company, after giving notice to SSGC stopped payment of further installments of GIDC as the stay order has been operative till the next date of hearing, whereby SHC has restrained SSGC from taking any coercive action against the Company in relation to non-payment of installments of GIDC arrears.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

- 14.2 This represents the differential of custom duty levied on import of crude oil and sale of petroleum products based on SROs issued by the Government of Pakistan and Ministry of Energy (MoE). In 2018, the Oil and Gas Regulatory Authority (OGRA) in compliance with the directives of MoE approved a recovery mechanism for regulated products through which refineries would operate on no gain / loss basis on this account. OGRA directed Oil Companies Advisory Committee (OCAC) to ensure implementation of the said mechanism. The Company has worked out the impact of such mechanism and adjusted the regulatory duty on regulated products in the trade and other payables and in case of regulatory duty on deregulated products in the sales and cost of sales respectively.
- 14.3 This includes advances received from related party - Pakistan Oilfields Limited amounting to Rs. 0.634 million (June 30, 2021: Rs. Nil) against supply of goods.

15. BORROWINGS

- 15.1 The facilities for running finance under mark-up arrangements with various banks amounted to Rs. 27.82 billion (June 30, 2021: Rs. 26.70 billion) of which the amount remaining unutilized at the period end was Rs. 4.32 billion (June 30, 2021: Rs. 13.40 billion). The rates of mark-up applicable on running finance ranges from 0.15% to 1.0% above KIBOR (June 30, 2021: KIBOR + 0.15% to 1.0%) per annum.
- 15.2 The facility from Istisna and Tijarah arrangements from Islamic banks amounted to Rs. 14.90 billion (June 30, 2021: Rs. 9.75 billion) of which Rs. 1.35 billion (June 30, 2021: Rs. 3.50 billion) remain unutilised as at period end. The rate of mark-up applicable is based on one month / three months KIBOR + 0.02% to 0.15% (June 30, 2021: three months KIBOR + 0.05% to 0.50%) per annum.
- 15.3 Short term loans obtained on rollover basis from commercial banks amounted to Rs. 16.13 billion (June 30, 2021: Rs. 13.15 billion). These loans are interchangeable facilities with running finance arrangement as disclosed in note 15.1. The rate of mark-up applicable on these loans is based on respective tenor KIBOR ranging from -0.40% to +0.45% (June 30, 2021: KIBOR -0.10% to +0.55%) per annum.
- 15.4 The facilities for opening the letters of credit and guarantees as at March 31, 2022 amounted to Rs. 107.73 billion (June 30, 2021: Rs. 82.95 billion) of which the amount remaining unutilized at the period end was Rs. 53.68 billion (June 30, 2021: Rs. 33.78 billion). The above financing arrangement to the tune of Rs. 29.32 billion (June 30, 2021: Rs. 28.70 billion) are sublimit of these non-funded limits.
- 15.5 These facilities are secured against ranking charge on Company's stocks, receivables and stores, spares and chemicals.

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

- 16.1.1 There has been no other significant changes during the period in the contingencies reported in the annual financial statements for the year ended June 30, 2021, except as disclosed in note 16.1.2.
- 16.1.2 Claims not acknowledged by the Company as debt at the end of the period amounted to Rs. 5.65 billion (June 30, 2021: Rs. 5.57 billion). These include claims accumulating to Rs. 5.39 billion (June 30, 2021: Rs. 5.34 billion) in respect of late payment surcharge claimed by crude oil suppliers and Rs. 100.44 million (June 30, 2021: Rs. 63.90 million) relating to freight claims.

16.2 Commitments

Commitments outstanding for capital expenditure as at March 31, 2022 amounted to Rs. 434.18 million (June 30, 2021: Rs. 351.70 million).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

	Quarter ended		Nine months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	← (Rupees in thousand) →			
17. REVENUE FROM CONTRACTS WITH CUSTOMERS				
Local	49,040,095	49,157,756	156,518,574	138,782,888
Export	8,179,644	3,074,349	21,483,191	6,500,641
	<u>57,219,739</u>	<u>52,232,105</u>	<u>178,001,765</u>	<u>145,283,529</u>

18. TRADE DISCOUNTS, TAXES, DUTIES, LEVIES AND PRICE DIFFERENTIALS

Trade discounts	95,060	63,057	297,576	178,328
Sales tax	3,709,297	7,142,720	16,636,958	20,137,321
Excise duty	13	19	82	165
Petroleum levy	1,131,216	5,399,722	3,965,683	23,765,728
PMG - RON differential	62,758	74,422	222,930	269,585
EURO-V specification differentials	3,153	39,027	4,237	90,022
Custom duty	761,589	1,015,315	2,619,827	2,736,927
	<u>5,763,086</u>	<u>13,734,282</u>	<u>23,747,293</u>	<u>47,178,076</u>

19. OTHER INCOME

This includes return on bank deposits amounting to Rs. 30.71 million (March 31, 2021: Rs. 39.31 million).

20. FINANCE COST - NET

20.1 This includes mark-up on short term borrowings under conventional banking mode amounting to Rs. 1,348 million (March 31, 2021: Rs. 900 million) and mark-up on Islamic financing amounting to Rs. 701 million (March 31, 2021: Rs. 272 million). The rates of mark-up applicable are provided in note 15.

20.2 This also includes net exchange loss of Rs. 2,604.03 million (March 31, 2021: net exchange gain of Rs. 1,043.63 million) on foreign currency transactions relating to purchase of crude oil and sale of products. This exchange loss / gain relates to actual fluctuations and not due to derivative financial instruments.

	Quarter ended		Nine months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	← (Rupees in thousand) →			
21. TAXATION				
Current				
for the period	481,910	297,531	1,069,622	755,416
for prior periods - note 21.1	-	-	(2,088,689)	-
Deferred	(5,846)	413,191	(263,331)	(237,078)
	<u>476,064</u>	<u>710,722</u>	<u>(1,282,398)</u>	<u>518,338</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

- 21.1. The Company has received an appeal affect order on January 17, 2022 based on the appellate orders passed by the Commissioner Inland Revenue Appeals (CIRA) in respect of tax year 2016. The main issue involved in the appeal was the apportionment of expenditures between local income and exports on the basis of 'gross sales' as compared to 'net sales'. The CIRA based on the prior orders of Appellate Tribunal Inland Revenue (ATIR) has allowed the apportionment of expenditures on the basis of 'gross sales' which has resulted in refund of Rs. 3,010.35 million that includes adjustment of Minimum tax / Alternative Corporate Tax versus Normal tax relating to previous years. However, the Federal Board of Revenue (FBR) has filed an appeal in the ATIR against the CIRA order. The Company has also filed an appeal in the ATIR in respect of apportionment of expenditures to be based on quantity sold rather than on net sales. As per last year practice and based on the legal advice, the Company has adjusted the appeal affect to the tune of Rs. 2,088.69 million relating to adjustments of 2015 and prior tax years. However, being prudent, the Company has partially accounted for the appeal effect for tax year 2016.

	March 31, 2022	March 31, 2021
	(Rupees in thousand)	
22. CASH USED IN OPERATIONS		
Profit before taxation	2,390,345	1,409,954
Adjustment for non cash charges and other items:		
Depreciation and amortisation	2,562,472	2,548,989
Provision for staff retirement benefit funds	90,255	82,972
Finance cost	2,049,229	1,172,002
Interest on lease liability	19,284	19,688
Return on investments and bank accounts	(30,706)	(39,307)
(Gain) / loss on disposal of property, plant and equipment	(42)	99
Changes in working capital - note 22.1	(20,323,603)	(5,074,045)
	<u>(13,242,766)</u>	<u>120,352</u>
22.1 Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and chemicals	(308,039)	(16,611)
Stock-in-trade	(12,052,783)	(8,632,248)
Trade receivables	(3,550,500)	(4,692,602)
Loans and advances	15,913	8,578
Trade deposits and short-term prepayments	(149,421)	(152,802)
Other receivables	(2,419,340)	(71,475)
	(18,464,170)	(13,557,160)
(Decrease) / increase in current liabilities		
Trade and other payables	(1,859,433)	8,483,115
	<u>(20,323,603)</u>	<u>(5,074,045)</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

23. TRANSACTIONS WITH RELATED PARTIES

Related party transactions are:

Nature of relationship	Nature of transactions	Quarter ended		Nine months ended	
		March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
(Rupees in Thousand)					
Associated companies					
- Attock Petroleum Limited (APL)					
	Sale of petroleum products	24,187,889	18,320,639	69,823,306	53,080,754
	Trade discounts	95,060	40,600	242,383	116,604
	Commission on Export Sales	74,557	25,366	212,279	62,563
	Commission on Local Sales	194,596	189,137	632,459	434,854
	Purchase of Petroleum Products	5,314	2,021	10,733	4,041
	Hospitality charges on sales	28,826	23,710	109,492	75,395
	Dividend paid	-	-	7,997	-
	Rental income	1,285	1,107	3,825	3,293
	Reimbursement of expenses incurred by NRL on behalf of APL	2,446	856	5,606	2,829
	Reimbursement of expenses incurred by APL on behalf of NRL	-	-	251	-
- Pakistan Oilfields Limited (POL)					
	Rental income	881	778	2,601	2,296
	Sale of petroleum products	23,426	20,604	133,153	158,026
	Purchase of raw material	-	403,517	21,052	1,267,471
	Reimbursement of expenses incurred by NRL on behalf of POL	88	35	285	112
	Dividend paid	-	-	199,916	-
- Attock Refinery Limited (ARL)					
	Reimbursement of expenses incurred by NRL on behalf of ARL	-	-	6,073	-
	Dividend paid	-	-	199,916	-
	Naphtha Handling Income	5,085	34,099	8,475	102,297
- Attock Cement Pakistan Limited (ACPL)					
	Purchase of stores	194	-	488	139
- Attock Oil Company Limited (AOCL)*					
	Reimbursement of expenses incurred by AOCL on behalf of NRL	-	36	59	47
	Reimbursement of expenses incurred by NRL on behalf of AOCL	8	8	24	35
Other related parties					
- Contribution to staff retirement benefits plans					
	Employees provident fund	12,727	12,352	38,118	38,627
	Employees gratuity fund	-	-	-	2,687
	Post retirement medical fund	-	4,470	-	4,470
- Key management compensation					
	Salaries and other employee benefits	12,329	11,451	37,887	32,261
	Post employment benefits	965	934	2,844	2,717
	Directors' fee	1,269	1,348	6,369	6,447

* The Company is incorporated in United Kingdom with registered address 4, Swan Street Manchester England M4 5JN.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

24. SEGMENT INFORMATION

24.1 Segments results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets include property, plant and equipment.

The financial information regarding operating segments is as follows:

	FUEL		LUBE		TOTAL	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	(Rupees in thousand)					
Segment Revenue						
Revenue from external customers						
- local (net of discounts, taxes, duties, levies and price differentials)	91,210,985	65,389,834	41,560,296	26,214,978	132,771,281	91,604,812
- exports	16,982,305	5,550,856	4,500,886	949,785	21,483,191	6,500,641
	108,193,290	70,940,690	46,061,182	27,164,763	154,254,472	98,105,453
Inter-segment transfers	39,559,152	21,651,691	-	-	39,559,152	21,651,691
Elimination of inter-segment transfers	-	-	-	-	(39,559,152)	(21,651,691)
Net revenue from contract with customers	147,752,442	92,592,381	46,061,182	27,164,763	154,254,472	98,105,453
Segment results after tax	(216,890)	(1,774,482)	3,889,633	2,666,098	3,672,743	891,616
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss) / income	(216,890)	(1,774,482)	3,889,633	2,666,098	3,672,743	891,616

	FUEL		LUBE		TOTAL	
	March 31, 2022	June 30, 2021	March 31, 2022	June 30, 2021	March 31, 2022	June 30, 2021
	(Rupees in thousand)					
Segment assets	68,335,634	50,261,268	11,069,951	9,496,061	79,405,585	59,757,329
Unallocated assets	-	-	-	-	14,806,516	15,924,187
Total assets	68,335,634	50,261,268	11,069,951	9,496,061	94,212,101	75,681,516
Segment liabilities	55,061,174	28,945,615	4,241,406	14,778,466	59,302,580	43,724,081
Unallocated liabilities	-	-	-	-	449,057	370,048
Total liabilities	55,061,174	28,945,615	4,241,406	14,778,466	59,751,637	44,094,129

24.2 Incremental expenses of Diesel Hydro De-sulphurisation (DHDS) and Isomerization (ISOM) units have been charged to fuel segment in accordance with note 24.1 above.

25. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on April 21, 2022.



Chief Financial Officer



Chief Executive



Director



National Refinery Limited

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